Adam Smith was born in 1723 in Scotland and studied moral philosophy at the University of Glasgow at a young age. He became a professor as a young man. He was known to students as being "absent-minded" but brilliant. Once engaged in an intellectual discussion, he walked right into a leather tanning pit!

Smith wrote his landmark book, Inquiry into the Nature and Causes of the Wealth of Nations, the same year America declared its independence from Great Britain. Smith's ideas stemmed from his belief in the nature of man. He argued that each individual behaves in a predictable pattern in that each man takes actions that would support his own best interest ("looking out for number one"). Smith called this the "invisible hand." Significantly, if each man looked out for his best interest, the economy would run efficiently and the amount of wealth would grow. This was a very new idea, considering the quality of life during Smith's time was meager - items such as spoons and nails were luxury items! Smith's explanation helped expand the quality of life (defined as access to material goods) for more people.

The principle behind the invisible hand was a "dance" of sorts between buyers and sellers of goods. The more people wanted to buy a particular good (such as spoons), the more sellers would make spoons because in the short term the price would be high. Over time, the price of spoons would fall, until the number of people who wanted spoons would decrease. In this way, the forces of supply and demand would dictate what would be produced and sold - and what the price would be. Smith's ideas became an open invitation for "capitalists" to use money to make more money - by becoming sellers of goods and acquiring "capital" in return. Capitalists would then employ others, and labor would become a commodity for sale. By dividing up tasks, workers would produce larger and larger quantities of goods. The more goods were made and sold in a society, the greater the quality of life. Smith's "capitalism" changed economic thought from a more traditional system, where land and bloodlines dictated wealth.

Classical economists further studied Smith's ideas, and modern economics evolved from his theories.

Karl Marx was born in 1818 in Prussia (roughly modern-day Germany). He grew up in a wealthy, educated family. Marx had an early career in journalism, but was removed from his job due to his radical ideas. Marx eventually went to England, where he could see the outgrowth of Smith's capitalist society. The Industrial Revolution had occurred in England, and Marx viewed industrial capitalism with a critical eye, rather than a positive one. Where Smith saw growth and an increased quality of life for everyone, Marx saw inequity between two classes of individuals including the capitalist class (the bourgeoisie) and the working class (proletarians). There are significantly more proletarians than bourgeoisie.

Marx believed that the capital-owning class was exploiting the workers by paying low wages and not enabling workers to share directly in profits. Basically, Marx noted that the profit mechanism of businesses did grow wealth, but that the very people who created the products (workers) were not able to experience any new wealth. Thus, the "surplus value" made by a business was placed in the hands of the capitalists. To Marx, even all of history could be defined as a class struggle.

Marx believed all humans need to work and to feel respected for their work. Low wages did not send the right message, and the division of labor caused workers to become completely alienated from the production process. As a result, Marxism became very tied to the struggle for workers' rights. In fact, The Communist Manifesto, written by Karl Marx and Frederick Engels in 1848 was adapted from a labor speech.

Marx suggested that capitalists would make a profit, but they would continuously place profits into technology - not into labor. The cycle of growth, though, would boom and bust, as Marx noted capitalism would be susceptible to recessions and depressions.

Marx's solution was to have the proletarians claim the factors of production so that they could distribute profits more equitably, essentially taking out the capitalist class. Since the ruling class would not give up power without a fight, Marx predicted a revolution would be necessary.

Marx's contributions are significant. He made others aware of the instability of capitalism, and advocated for workers' rights. His ideas inspired the communist revolutions that happened after his death.